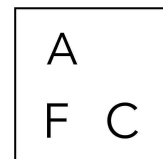


Submission
No 61

**INQUIRY INTO PROCUREMENT PRACTICES OF
GOVERNMENT AGENCIES IN NEW SOUTH WALES AND
ITS IMPACT ON THE SOCIAL DEVELOPMENT OF THE
PEOPLE OF NEW SOUTH WALES**

Organisation: Australian Fashion Council

Date Received: 30 May 2024

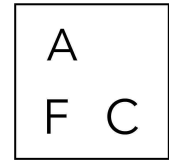


AUSTRALIAN FASHION COUNCIL

Submission to the

INQUIRY INTO THE PROCUREMENT PRACTICES OF
GOVERNMENT AGENCIES IN NSW AND ITS IMPACT ON
SOCIAL DEVELOPMENT OF THE PEOPLE OF NSW

May 2024

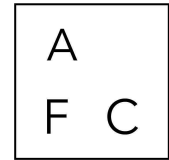


About the Australian Fashion Council

The Australian Fashion Council (AFC) is the peak body for the Australian fashion and textile industry. The AFC has represented and served the Australian Fashion & Textile industry for over 65 years. The AFC is a not-for-profit membership organisation that connects critical stakeholders across the industry, and effectively champions an innovative, resilient and sustainable legacy. Our members are drawn from across the clothing and textile supply chain, from fibre producers to manufacturers, brands and textile recyclers. Textile, Clothing and Footwear (TCF) manufacturers represent 15% of the total AFC membership.

The AFC has a strong history of working with local, state and federal governments to deliver industry-leading and impactful programs:

- In 2023, the AFC launched Seamless, Australia's first national clothing product stewardship scheme, funded by the Federal Government Department of Climate Change, Environment and Water.
- In 2022, the AFC delivered the Australian Fashion certified trademark, a national marketing campaign to drive demand for Australian fashion nationally and globally. The trademark was funded by the Federal Government Department of Industry, Science and Resources.
- The AFC has worked in close partnership with the City of Sydney to deliver two series of AFC FashTech Lab via their Innovation and Ideas Grant. FashTech Lab is a pilot program supporting brands to transition from physical samples to digital samples to reduce cost, time and textile waste. The AFC has also worked with the City of Sydney to develop a set of social and environmental toolkits for AFC members, building capability in the fashion industry to better manage its sustainability impacts.



The current state of the NSW textile, clothing and footwear industry

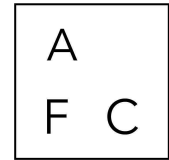
In 2021, the AFC conducted an industry-first study of the entire Australian textile, clothing and footwear (TCF) sector to understand its economic profile, including total value and jobs, current challenges and the future potential of the industry.

The report revealed the following:

- The Australian TCF industry contributes \$27.2 billion to the economy
- Uniforms and workwear account for \$1.2 billion of that industry value
- The uniforms and workwear sector employs 27,000 workers nationally, 71% of which are women
- The NSW TCF sector is valued at \$9.7 billion and employs 174,000 workers

The report also identified the uniforms and workwear sector as a key opportunity to unlock innovation and capacity building for local manufacturers through its provision of long term, high volume government contracts. There is currently no public data available on the quantity of NSW government uniforms manufactured in NSW and the quantity manufactured interstate or offshore. However it is anecdotally known that the quantity of government uniforms manufactured onshore has dramatically decreased (in line with all local clothing and textile production following the removal of trade tariffs in the 1980s).

To more meaningfully understand and positively impact the NSW TCF manufacturing sector, there is a need for more comprehensive data to understand its current economic profile and the potential value of uniforms and workwear to the industry. To meet the same need, in Victoria, the AFC has commissioned RMIT to produce a report into the current and future state of local clothing and textile manufacturing. This study includes a primary research component with 300 manufacturers and will gather information about their business profiles and capabilities as well as their perspectives on industry challenges and opportunities. When this research is released later in 2024, we will collectively hold a detailed understanding of the growth levers for Victorian manufacturing and the key interventions government and industry can make, including the local procurement of government uniforms, to generate further economic and social value for the state. The AFC sees significant value in similar work being undertaken in NSW to understand the economic value of the local NSW TCF manufacturing industry. The report would create a network of NSW TCF suppliers accessible



to government buyers to better understand local TCF manufacturing capabilities and for suppliers to understand the requirements of government contracts.

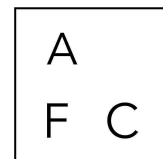
The disruption of the pandemic upon global supply chains has reinvigorated the demand for Australian sovereign manufacturing capability. With the federal government's recent policy announcement to establish the Future Made in Australia Act, and the Buy Australian Plan, it is now more critical than ever to ensure that NSW government procurement policy supports sustainable capacity building. The AFC encourages NSW to report on the current value of procurement, including uniforms, via whole of government or agency procurement arrangements as the first step to support the reinvigoration of NSW's local clothing manufacturing industry.

The following sections of the submission identifies the social and economic opportunities presented by procurement of government uniforms in NSW and the benefits to job creation (particularly for women), innovation and sustainability by acting to:

- Consider the broader economic benefits of local procurement
- Support SMEs to accessing TCF procurement contracts
- Unlock confidence in labour conditions by buying Australian made products
- Invest in scaling end of life clothing solutions
- Support the upskilling of TCF industry

The opportunity to consider the broader economic benefits of local procurement

State and federal government procurement policies often stipulate 'price is not the sole factor when assessing value for money' however this is not the case in practice. Even in states with stronger local procurement policy, such as Victoria's [Guide to procuring uniforms and personal protective equipment](#), there is still an overwhelming practice to award contracts based on the lowest priced tender. This approach prioritises short-term cost savings at the expense of the long term economic benefits for local manufacturers and the broader industry. These long term economic benefits include, but are not limited to; increasing jobs and therefore taxable income, training and creation of higher skilled occupations with higher wages and therefore taxes, re-investment in machinery, technology and R&D.



The AFC believes the requirement for local procurement in policies needs to be more clearly, include targets for locally manufactured content and a requirement to report on them. For example, the Victorian procurement policy specifies departments and agencies are required to buy locally and ethically manufactured uniforms and PPE, 'wherever possible.' Industry feedback is that the inclusion of 'wherever possible' essentially eliminates the local procurement requirement. Below is a response from a Victorian government department taken from the Buy Victoria website to a suppliers enquiry if an order needed to be manufactured locally to win the tender:

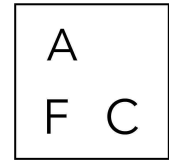
Q6 - We import most of our product. Is this a disadvantage?

A6 - No it's not. No one is going to be disadvantaged as we are looking for the best value solution, value for money and quality of product. If what is demonstrated meets the requirements, that is what we are looking for. It doesn't have to be locally manufactured. However, as it is a preference of ours to be locally sourced, if there is a supplier that does meet this standard and can deliver all other requirements, it may impact the outcome in a close competition. All responses will be assessed equally at face value.

(Screenshot of a supplier briefing document from the Department of Transport and Planning, taken from the Buy Victoria tender portal (<https://www.tenders.vic.gov.au/>), 20 May, 2024).

In some jurisdictions, procurement policy has stated that if a product can be made in Australia, it must be made in Australia. This statement provides greater clarity for than 'wherever possible' which is open to interpretation from both government buyers and industry.

Clothing procurement and production is a complex and specialised process. Combine that with these light touch requirements, a devolved procurement model where government buyers have little understanding of the TCF sector or the unique aspects of clothing procurement and the result is locally manufactured alternatives are deprioritised. The AFC recommends the NSW government procurement policy includes targets for locally manufactured content and incorporates a compensation or allowance for higher cost bids that can prove a broader state economic benefit through job creation, employment, taxation and indirect spending. This could also take the form of increased weightings for tenders delivering on each of these contract criterias. In addition, the AFC recommends the government support its buyers by installing specialist TCF procurement capability that can



work cross-departmentally on major clothing procurement contracts and guides buyers in the process of working with local manufacturers and achieving Australian made.

The opportunity to support local SMEs access large TCF procurement contracts

Since the removal of the trade tariffs in the 1980s, there has been a transition from large volume manufacturing in Australia to smaller, more flexible and higher value adding manufacturing. SME manufacturers have the capabilities and preference to produce higher volume orders however the tendering process is long, often taking months to confirm contracts. Manufacturers have reported the long lead times to award and finalise contracts, sometimes exceeding 12 months, are prohibitive for smaller businesses with tighter cash flow restrictions. To make contracts more accessible for SME's, government contracts need to streamline the contract awarding process and remove the administrative burden from SMEs.

TCF manufacturers speak positively of the value of industry engagement practices in other states, where buyers conduct briefing sessions with industry to detail contract specifications. This could take the form of regular fairs held by the NSW government and suppliers. Industry has a role to play in educating government departments on the depth and breadth of industry skills, capacity and capabilities. This also extends to the proposed specifications, industry standards, testing regimes and lead times for sampling and production. Increased engagement with suppliers, in particular SMEs, can also support industry to align with capacity requirements for orders. For example, if a government agency put a tender out for 60,000 shirts in one lump drop on a nominated date then the local industry would be unlikely to satisfy this requirement. However if the agency forecasted a requirement of 5,000 units per month for 12 months, a greater number of manufacturers would be able to comply. Local manufacturers have also reported it has become commonplace for some agencies to claim “probity” as a reason for not receiving a pre-tender approach from a supplier. However with the appropriate protocols in place, this can be mitigated and allow adequate timelines for SMEs to compete for tenders.

Establishing an online portal that houses all current and awarded contracts would also be valuable for the TCF industry and increase accessibility and greater transparency over current and awarded contracts. Victoria's [Buying for Victoria](#) is a successful reference for an accessible portal for the NSW government. Furthermore, the existence of a database of local suppliers including their manufacturing capabilities would be beneficial to create supplier networks to



harness the capabilities of multiple suppliers to fulfil an order. This would support government buyers to understand local capabilities and access potential suppliers. Supplier networks can also create positive social impact opportunities with SME organisations that would not otherwise have the capacity. The case study below details an example where enterprise manufacturer Workwear Group collaborated with social enterprise The Social Outfit to deliver a uniform contract for Westpac. This example also demonstrates the need for social impact benefits of local procurement to be recognised and valued through tender weightings.

The Social Outfit and Workwear Group collaborate to manufacture corporate uniforms for Westpac

In early 2023, The Social Outfit, a Sydney-based social enterprise, [Workwear Group](#) to produce 2000 scarves and pocket squares for Westpac's uniforms. The collaboration marked a significant step forward for The Social Outfit, who provide employment and training to women from refugee and new migrant backgrounds through their ethical manufacturing studio and retail store.

The contract saw Workwear Group supply the precut fabric for the scarves and pocket squares to The Social Outfit to be hemmed, labelled and packed. To assist The Social Outfit to deliver the order, Workwear Group provided support on requirements of bulk production orders, including care labelling requirements, how to pack items for automated warehouse systems and carton packing requirements. Workwear Group also paid 50% of the agreed manufacturing price up front to assist The Social Outfit with managing daily costs.

The Social Outfit faces higher operating costs than traditional, for-profit manufacturing businesses due to the organisation's extensive training and support programs for their employees. This can make it challenging for The Social Outfit to compete for government and corporate uniform contracts. Partnering with Workwear Group allowed The Social Outfit to be more competitive on contract price and work on elements of the production order within their manufacturing capabilities. Longer term, high volume orders like uniforms can provide a reliable revenue stream to support The Social Outfit's training and education programs, and deliver social and environmental impact metrics for the contracting business or government department.

As a result of securing the contract with Westpac, The Social Outfit were able to offer significantly increased paid hours of work to their sewing machinists and invest in upskilling and training a number of their new employees. This is a critical investment in skills and training by The Social Outfit due to sewing machinists being a very high demand occupation in the TCF industry where severe skills shortages often impact production.

Additionally, The Social Outfit invested in accreditation with Sedex, an internationally recognised social compliance auditing body. Securing the Westpac contract provides The Social Outfit with a template for future uniform procurement agreements and discussions with other potential clients are underway based on the success of their collaboration with Westpac.

The opportunity for confidence in labour conditions by buying Australian made

The outsourcing of manufacturing to developing countries is often associated with poor working conditions for garment workers. Distance, combined with lower regulatory enforcement, are key reasons for exploitation to flourish. Engaging with local manufacturers increases visibility over the supply chain and reduces the risk of labour exploitation.

Whilst there are still reported cases of labour exploitation within Australia, our stronger regulatory framework and the greater oversight proximity provides, can deliver the government greater assurance that working conditions meet community expectations. Ethical Clothing Australia (ECA) is used by some states to ensure the rights of clothing workers in Australia and ECA is known for its rigorous and lengthy accreditation process. The AFC celebrates the work of ECA and notes our shared objectives, however it should be noted that the complexity of its accreditation process may put off some manufacturers and government buyers. An ECA requirement may actually be disadvantageous to local manufacturers and hold them to a higher standard of social and labour compliance than the other accreditation/audit schemes used offshore. To reduce barriers to entry for local manufacturers, the NSW government should ensure that its accreditation requirements hold manufacturers to an achievable standard and that ECA is one of a portfolio of accreditations available.



The opportunity to invest to scale end of life clothing solutions

Seamless, Australia’s first national clothing production stewardship scheme launched in 2024, is tasked with transitioning the industry to a circular clothing economy by 2030. Uniforms are not currently included under the scope of the scheme. Uniforms are unique as they cannot enter a second-hand market for security reasons and therefore must be shredded or burned, representing a significant textile waste burden.

Polyester and synthetic fibres make up 68% of the total fibre mix of clothing globally. The critical environmental impacts of synthetic fibres are well documented across the garment’s lifecycle, from production to consumption, high water usage, chemical pollution, carbon emissions and ultimately waste. Uniform contracts need to preference natural fibres and phase out the use of synthetic fabrics (except when required for health and safety standards) and prioritise Australian grown wool and cotton when possible. This would in turn encourage greater collaboration between Australian farmers, textile and clothing manufacturers, producers, consumers and government department buyers to re-establish a connected local supply chain. This then facilitates the exchange of knowledge, resources, and support for sustainable practices, such as the recent example of circular custom-fit uniforms supplied to Great Barrier Reef Marine Park Authority by NSW manufacturer, Citizen Wolf, see case study below.

Citizen Wolf lands contract to manufacture circular, custom-fit uniforms for the Great Barrier Reef Marine Park Authority

In July 2023, Citizen Wolf won the Federal Government tender to supply uniforms for the Great Barrier Reef Marine Park Authority (GBRMPA). So far, Citizen Wolf has manufactured nearly \$100,000 worth of polo shirts and button down-shirt uniforms for over 300 staff.

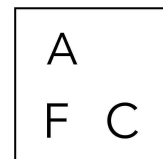
The AFC’s 2021 economic report revealed over \$1.2 billion is spent on uniforms in Australia annually. Citizen Wolf foresees increasing demand from government buyers to source locally manufactured uniforms to meet growing policy requirements. These include the federal government’s [Environmentally Sustainable Procurement Policy](#) launched in July this year, along with the push to reinforce sovereign capability with the recently announced [Future Made in Australia](#) policy.

Citizen Wolf, with their factory based in Marrickville, has established a 100% traceable local supply chain for their t-shirt production. Citizen Wolf's successful tender pitched uniforms manufactured from 100% Australian cotton, traceable to a farm in NSW and grown using regenerative agriculture principles. Synthetic fabrics currently make up 68% of the global fibre production and when washed, shed plastic microfibers into waterways. Through their uniform contract, GBRMPA was able to support Australian cotton farmers and prevent further microfibres shedding from polyester uniforms into the marine park.

The uniforms are manufactured to order with no minimum order requirement and include the option to be custom fit using Citizen Wolf's AI fitting technology. Citizen's Wolf's commitment to local manufacturing extends past the initial supply of the uniforms to the entire life cycle of the uniforms. As part of Citizen Wolf's contract with GBRMPA, they will be completing lifetime repairs on the uniforms. Once the uniforms are deemed to be no longer unwearable, Citizen Wolf will take back the uniforms to be recycled back to fibre, spun into yarn and knitted into jersey fabric for future garments.

The GBRMPA tender was a one year contract with the option for annual renewals for up to five years. The long term order has supported Citizen Wolf to commence a co-funded investment round to grow their production capabilities to bid for more uniform contracts with the view to employ more staff.

Uniforms are designed to be durable and are well suited to circular design principles, including using mono-fibre materials and simplifying design features and trims for ease of disassembly and recycling at its end of life. TCF manufacturers report receiving heavily designed uniform specs that are not only difficult to recycle but extremely expensive to manufacture locally, removing local suppliers from the tender process. Government departments and agencies would benefit from engaging a TCF specialist to educate buyers on the capabilities of local manufacturers, as well as TCF specific environmental considerations for uniform contracts. Establishing a high volume, consistent and mono-fibre textile supply stream will support onshore textile recycling facilities to scale their operations. Government procurement policy should also include a requirement for recycled fibre content



in uniforms to create a local market for recycled materials that is required to develop fibre to fibre recycling in Australia.

The opportunity for government procurement to support the upskilling of TCF industry

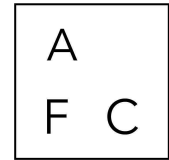
The NSW TCF industry is experiencing a severe technical skills shortage. This is reflective of the national skills shortage with [employment data](#) indicating that 45% of workers in the Textiles, Clothing and Footwear Production sector of the TCF industry are aged over 50. The TCF industry is at risk of losing technical skills and it is critical now more than ever to retain knowledge and build upon intellectual capital before it is lost to retain sovereign manufacturing capability. Long term government contracts delivered over multiple years provide local suppliers with the confidence to employ additional staff and invest in training to upskill current staff. Local manufacturers also report increased confidence to invest in new machinery to automate, streamline manufacturing and thereby increase their production efficiencies, which in turn result in higher skilled jobs and increased revenue (see Citizen Wolf case study).

SUMMARY OF RECOMMENDATIONS

1. The NSW Government should provide funding to the AFC to quantify the NSW TCF manufacturing industry to understand its current economic value and the future potential of the sector:

- Similar to the work of the AFC in Victoria, such a report will include an analysis on the characteristics of the NSW TCF manufacturing industry as well as economic modelling on the impact of increasing government procurement to increase jobs, value and capacity building for the sector. The report will include recommendations to guide the development of a NSW Government Procurement Policy for uniforms and protective equipment.
- The report will create a network of NSW TCF manufacturers and an understanding of their capabilities that can be fed through to government and industry buyers.

2. The NSW Government should establish a Procurement Policy for Uniforms and Protective Equipment.



- The NSW Government Procurement Policy should set targets for % local (NSW or Australia) content in all NSW government uniform and PPE contracts and apply this to contracts of any value and require annual reporting on performance.
- The policy should include mechanisms to compensate or preference higher cost bids that provide a broader state economic benefit through job creation, employment, taxation and indirect spending as well as broader social benefits.
- The policy should include an environmental framework which is specific to TCF sourcing which guidelines on implementing circular design principles and lower impact material requirements (in particular preferencing Australian grown wool, cotton and recycled fibre content) and educate TCF buyers on how to adopt these in practice.
- The policy should include a social framework which is specific to TCF manufacturing and ensure that accreditation requirements do not create barriers to entry for local manufacturers.
- The social framework should also include guidelines for government agencies on partnering with social enterprises, including accepting multi-supplier contracts.

3. The NSW government should implement measures to encourage industry participation and increase transparency of procurement opportunities

- Release annual government reporting on the total quantity of government uniform contracts manufactured locally in NSW, interstate and offshore.
- Build a textiles, clothing and footwear manufacturing category within the Buy NSW supplier hub with
- create a platform to promote current, awarded and upcoming government uniform contracts (similar to Buy Victoria).
- Implement support measures for SME suppliers, including shorter contract negotiation, tender briefing sessions with industry and encourage multi-supplier applications.
- Build awareness for TCF buyers in government agencies on Australian manufacturing capability and support them to understand how product design can be adapted to enable them to use suppliers who are manufacturing locally, including installing a government procurement



specialist on the TCF sector who can work cross-departmentally and support government buyers to achieve Australian made and meet the environmental and social frameworks.